

ISSUES OF MERIT

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Performance Evaluation: Time to Roll Up Your Sleeves

“Pay for performance” promises to bring sweeping new changes to the Federal Government — including the need to take our performance evaluation systems off autopilot.

Recent legislation will soon make “pay for performance” a reality for many Federal employees. This prospect has focused long-overdue attention on performance evaluation. The General Schedule system, with its periodic step increases for satisfactory performance, allowed supervisors to devote little attention to performance evaluation — and employees to devote equally little attention to the results — with few consequences for pay.

Indeed, taking performance evaluation off autopilot is one of the keys to making pay for performance work. Unfortunately, doing so is not easy. “If anyone can solve the performance evaluation problem, he should be entitled to the Nobel, the Pulitzer and the Heisman in the same year,” said Diane Disney, former Deputy Assistant Secretary, Civilian Personnel Policy, Department of Defense.¹

If you're a Federal supervisor, you may be ready to throw up your hands in despair. Our advice: don't throw up your hands, roll up your sleeves. The key to the performance evaluation

“problem” — good performance feedback — doesn't require genius or superhuman strength. What it does require is the steady application of thought and effort. Below, we outline steps supervisors can take to solve the performance evaluation problem. We also raise some questions to consider.

First, understand the work. Many employees believe their supervisor knows little about what they do. Make sure that you are not one of these supervisors. It's not necessary to understand every detail of how work gets done or be able to do each employee's job. But you should be able to describe your organization's mission, goals, and work processes — and individual employee roles — without difficulty. Spend some time listening to your employees. What are employees working on? How do they get work done? What helps or hinders them? How do you help or hinder them? (The answers may surprise you.)

Second, communicate. Make sure employees know what is expected of

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ISSUES OF MERIT

Office of Policy and Evaluation
U.S. Merit Systems
Protection Board

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Our Mission

The Office of Policy and Evaluation conducts studies to assess the health of Federal merit systems and to ensure they are free from prohibited personnel practices.

Issues of Merit

We offer insights and analyses on topics related to Federal human capital management, particularly findings and recommendations from our independent research.

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DIRECTOR'S PERSPECTIVE

Why End The General Schedule?

Pay and classification reform are needed to support changes in managerial philosophy.

We hear the axiom of “form following function” and can apply it as a large lever for change in human capital management. Changing a managerial philosophy or core value is nearly impossible without concurrent changes in the personnel systems. This is very much evident in the President’s vision of a results-oriented, citizen-centered, and market-based Federal Government. human resource (HR) systems don’t make the changes — they make the changes work better.

We now have pay and classification reform systemically working their way into the Federal Government. Let’s explore how pay and classification may shape up and why they support the President’s philosophic change.

Current pay reform proposals would eliminate annual general increases and longevity-based pay progression. This means no within-grade increases for completing a waiting period and no across-the-board pay increases to reflect the increases in the national cost of living or the cost of labor. As a result of new legislation, the entire SES corps moved into a new pay system on January 11, 2004, with no 2004 increases due to locality differentials. Non-SES employees in DHS and DoD will migrate to similarly changed systems later in 2004 and 2005. Historically, individual pay for Government employees was controlled by the

philosophy of equality and fairness benefiting everyone equally. This principle endures but the General Schedule no longer achieves it very well. When civil service was composed mostly of employees who performed similar, and relatively simple work, it made sense to assume that an employee’s job was the primary determinant of his or her value. The General Schedule system reflected this assumption. Job classification dictated pay; pay adjustments were made and paid across the board; longevity was rewarded. Form followed function.

Now the General Schedule system makes less sense because individual employees have substantial control over their contributions and their jobs, and their roles are more fluid. Today’s philosophy for pay reform redefines what is meant by fairness and considers pay changes based on performance, contributions, and results. This different philosophy or value system requires a different vehicle to make it effective. This is why current reform efforts de-emphasize or eliminate across-the-board pay increases and longevity-based pay progression. This is also why reforms authorize pay banding, which is really a looser linkage between position and base pay.

Issues arise about how to measure pay for performance and how much control to place in the hands of managers to make this determination. Should the new system require five levels of performance that tie directly to an employee’s percentage increase for

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Reforming Pay and Classification Systems

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basic pay? Should pay changes be made based upon individual employee's annual performance appraisal? Are there alternatives?

I suggest that increases in basic pay be used to reward organizational success and individual development. A performance pay formula can be developed to compensate team members or agency employees who helped an agency achieve its performance goals outlined in its annual performance plan. This approach is simpler and more equitable than an approach that leaves everything up to the individual manager. The manager has only to determine *whether* an employee contributed to goal achievement. The manager is not expected to measure that contribution precisely, and may not be involved in determining that contribution's monetary value. Basic pay could also be adjusted for employees who attain additional certifications or degrees. One-time payments could also be possible to recognize service on committees, volunteerism, mentoring, acting in the absence of a leader, and like areas. No annual individual performance rating would be necessary.

Instead of an annual appraisal, leaders could advise employees on individual goal attainment, customer satisfaction, error rates, and individual development. The largest portion of annual employee ratings are in the middle performance category (80%), with a few top performers (15%) and only a small group falling in the unsuccessful category (5%). Most research shows, and managers readily agree, that annual performance paperwork and the resultant loss of productivity by employee worry or reaction to getting a lower rating than desired, outweigh any benefit of recognition for the top 15% of performers. The total quality management guru, W. Edwards Deming, advocated against individual performance appraisal for similar reasons in his 12-point plan. Much remains to be worked out and not all agencies will rush to embrace my thoughts about pay for performance, but pay reform is here and it reflects a basic change in the core value or philosophy underpinning compensation for Federal employees.

Closely related to pay for performance is reform of the classification system where Federal jobs are classified into one of the 15

grades of the General Schedule. Classification reform is basically moving from specific tailored individual job descriptions/classifications to broader categories or bands. We no longer need a job description for each unique position. Generic descriptions of the categories of like type positions will suffice when supplemented by work assignments or performance goals. Pay bands/ranges can replace the tightly restricted General Schedule in this aspect as well. These pay bands systemize the philosophy or core value that an employee's pay should be as individual as the employee. Some employees come with extra experience or credentials while others come with extra drive or initiative. Still others enter the career field as a trainee and gain experience, credentials, training, and self-confidence to progress. Some enter at different stages of development and progress at different speeds. Should they all be paid the same? Pay banding can be limited to a few grades within the General Schedule or it can be as broad as from the statutory minimum pay up to the executive pay cap. The objective is to create flexibility in hiring and to base progression on merit factors such as performance, competency attainment, or knowledge and not on time in grade or to a strict set of duties in a unique position description.

Pay and classification reform support the desired direction for the Federal service based upon different philosophies and values. They make these philosophic changes work better. Flexibility within these key HR systems allows varying organizational cultures and missions to also be leveraged. This flexibility creates more risk, but it also carries a potential for greater performance, as does the philosophy it supports.

Steve Nelson

Director, Policy and Evaluation

The New Look of *Issues of Merit*

After eight years of publication, we're proud to introduce a new design to *Issues of Merit*. To give you more relevant insights and analyses related to Federal human capital management, we've also expanded to eight pages.

We'd love to hear your feedback on our new look.

Just drop us a line at studies@mspb.gov with "newsletter" in the subject line.

Across the Border or Around the World, Public Service Human Capital Challenges Sound Familiar

A report on recent visits to and from international government human capital organizations

MSPB Delegation Visits Canada

Vacancies take too long to fill, and managers want more control over staffing decisions. All agree that the appeals process should be quicker and less adversarial. Human resources is pressured to shift focus from processes to underlying values and results. Some organizations have opted out of the Public Service framework to gain more flexibility.

While this litany of human capital issues probably sounds familiar, you might be surprised by the source: the Public Service of Canada. MSPB has worked cooperatively with the Canadian Government human capital agencies for years, and this past October, visited Ottawa to exchange information on evolving public service challenges that transcend national borders.

The MSPB delegation met with officials from Canada's Public Service Commission, Treasury Board Secretariat, and Public Service Staff Relations Board. Collectively, the duties of these three Canadian organizations cut across those of MSPB, the Office of Personnel Management, the Office of Management and Budget, the Federal Labor Relations Authority, and the National Labor Relations Board in the United States.

In Canada, the recently passed Public Service Modernization Act will change how these central agencies and all departments and agencies operate. According to Canadian officials, the new legislation and already initiated administrative actions open the way to addressing the most pressing human capital issues.

MSPB was particularly interested in Canada's use of alternative dispute resolution, including mediation. We gained valuable insights from officials in two appeals organizations. In return, Canadians were interested in how the U.S. Government protects whistleblowers. Canadian officials believe they have focused less on this area, and see a possible need to do more.

We hope to continue this exchange of ideas in Washington, D.C. this April. ♦



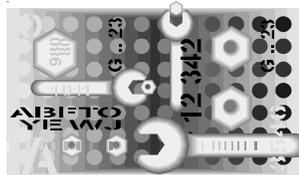
MSPB delegation with officials from the Public Service Commission (PSC) of Canada, October 2003. Back Row: Steve Nelson, OPE Director; Scott Serson, President, PSC; Harry C. Redd III, OPE; Greg Gault, Vice President, Policy, Research and Communications, PSC. Front Row: Marc Grenier, Director General, Strategic Policy, PSC; Susanne T. Marshall, Chairman, MSPB; Andr e Dubois, Vice President, Recourse, PSC; Michael Corbier, Director, Evaluation and Performance Studies, PSC.

MSPB Hosts Japanese Official

MSPB is not the only public sector organization in search of answers to today's human capital management challenges. We recently hosted a top Japanese official interested in how decentralization affects staffing issues in the U.S. Federal Government.

Mitsuaki Watanabe, Director of the Research and Development Division in Japan's National Personnel Authority, spent a week in October visiting with MSPB and other Federal agencies. Because the Japanese civil service has recently experienced pressures for decentralization, particularly in the area of assessment and selection, Mr. Watanabe was interested in the U.S. perspective.

MSPB staff and management met with Mr. Watanabe to answer questions and learn more about how the Japanese civil service is handling its challenges. He expressed interest in a number of MSPB reports that provide insight for his personnel system; for example, our recent report on structured interviews illustrated how assessment, if done in a rigorous manner, can be performed outside of a centralized institution. In addition, MSPB staff accompanied Mr. Watanabe to interviews with human resources officials throughout the Federal Government, including the Office of Personnel Management, NASA, and the Department of Veterans Affairs. ♦



Hiring the Best: On-Target KSAs Make All the Difference

Did you lose your chance to hire the best employee because of a poorly written job announcement? If the knowledge, skills and abilities (KSAs) do not seem to match a job hunter's skill set, she never becomes an applicant. Here are three guidelines for writing on-target KSAs when you create your next job announcement.

Broaden your horizons. Write general KSAs rather than targeting specific job tasks. When a job requires technical writing, some managers only consider applicants who have written technical reports. This tactic screens out authors of well-written college papers or marketing reports. A better strategy looks for applicants who have developed writing abilities in various ways. Recent college graduates or market analysts can fine-tune their technical writing on the job if they already have strong, general writing skills.

Choose your words with care. Write KSAs that applicants will understand. Suppose a job requires an employee to "Conduct relationships with direct reports with consideration of multi-party reciprocal interests and according to standardized procedures for appropriate exercise of workplace authority." A qualified job seeker might conclude that he could not do this; the real problem is that he cannot understand it. You will not see an application from this person, but you might if the KSA read "Manages others in a fair and ethical manner."

What makes a difference? Focus on what your best employees do better than the rest. Spend a few minutes with last year's performance appraisals and note the strengths of each employee. Everyone on your team may write well. But your best employees may be more flexible or work better in groups. Attract another top employee by focusing on KSAs that high performers have and others lack.

By writing better KSAs, you help the most skilled applicants find you, so that you can hire the best. ♦

The Critical Role of Performance Feedback

(continued from page 1)

them. What projects and outcomes have priority? If objectives such as timeliness, thoroughness, and cost compete (as they usually do), which is most important? Is it important that work be done in a certain way, or are results what matter? Feedback is easier and less stressful for all involved with a common understanding of goals and priorities.

Third, track goals and performance. To provide credible, constructive feedback, a supervisor needs to understand and measure organizational and individual performance. Is the organization meeting its goals? Have goals and priorities changed? Are employees meeting, exceeding, or falling short of their objectives? Why or why not?

Finally, communicate again. Do employees know how they are doing? Will their performance rating and any resulting change in pay come as a surprise? Feedback is a daily process, not an annual event. If an employee or a team does something especially well, say so. If performance is not up to par, employees need to know that too.

The pay for performance "problem" is not insoluble. However, the solution — ongoing performance feedback — demands an investment of thought and effort from all levels of leadership, starting with supervisors. Good feedback also requires time; it cannot be produced on demand. All the more reason to start work now. ♦

¹ As quoted in "Pay and Benefits Watch," *Government Executive* (November 20, 2003).

FOCUS ON THE FACTS

Did you know ...

... in FY 2002, only 52% of all permanent new hires in the Federal Government were in the competitive service?

... in FY 2002, over 53% of all permanent new hires in the Federal government were 35 or older?

... in FY 2002, 36% of new noncareer Senior Executive Service (SES) appointees were 39 or under, while less than 4% of new career SES appointees were 39 or under?

Source: *Fedscope* FY 2002

Making the Most of Title 5: Staffing Flexibilities



How can Federal managers hire top-notch talent — quickly, efficiently, effectively?

In our last *Issues of Merit*, we began a series to examine human capital management flexibilities available to Federal managers under Title 5. To kick off the series, we looked at pay flexibilities. In this issue, we turn the spotlight on staffing flexibilities — ways that managers can hire talented people quickly.

To do so, we give a short overview of major staffing flexibilities in the chart below. (Please note that veteran-specific flexibilities will be covered in a later issue.) Then, on the next page, we offer an in-depth look at a relatively new staffing authority, the Federal Career Intern Program, as well as provide an update on changes to the recently renamed Presidential Management Intern Program.

Staffing Flexibilities In Today's Civil Service

Flexibility	Description
Direct Hire	Agencies may directly appoint candidates in occupations with a severe shortage of candidates or a critical need. Currently, agencies have direct hire authority for certain medical and information technology occupations. Agencies may obtain OPM approval for direct hire authority to meet critical hiring needs that result from emergencies, environmental disasters, or other unanticipated events.
Student Educational Employment Program	Agencies may appoint students who are enrolled in accredited institutions to part-time or full-time positions. In some cases, students can be converted to permanent positions within 120 days of completing their academic requirements.
Intergovernmental Personnel Act	Agencies may bring in employees of non-profit institutions (such as colleges and universities or state, local and Tribal governments) for temporary assignments of up to 2 years. Extensions are permissible to allow an appointment for a maximum of 4 years. Cost-sharing arrangements are negotiated between the participating organizations.
IT Exchange Program	OPM is currently developing regulations for this new program, which was created under the E-Government Act of 2002. The program will promote the interchange of Federal and private industry information technology (IT) workers to enhance the Federal workforce's ability to use information technology to deliver services.
Waiver of Dual Pay Limitations	Agencies may waive the 40-hour per-week limit and hire full-time Federal employees for second jobs under emergency conditions or when required services cannot be obtained otherwise.

(Two major programs — the Federal Career Intern Program and the former Presidential Management Intern Program — are covered on page 7.)

Federal Career Intern Program Offers Agencies Flexible, Efficient Way to Hire Entry-Level Talent

Federal managers have long clamored for a more flexible and efficient way to hire entry-level talent. The Federal Career Intern Program (FCIP), established by Executive Order 13162 in July 2000 and first available for agency use in FY 2001, fits that bill. With increasing numbers of employees being brought on board via the FCIP (see statistics in sidebar), agencies seem to be taking advantage of its potential.

What is the FCIP? It's a hiring authority that provides a flexible and efficient means for agencies to fill entry-level positions quickly. Employees are hired into the excepted service, spend two years working and being trained, and then may be converted without competition into the competitive service, solely at the agency's discretion. Federal Career Interns are generally appointed to GS-5, 7 and 9 level positions. However, agencies may request Office of Personnel Management approval to cover additional grades in order to meet their specialized needs.

What are the advantages of the FCIP? Some of the most important benefits include the following:

- ability to fill jobs without first giving public notice, permitting targeted recruiting and manageable applicant pools;
- latitude in deciding what assessment tools to use and how to refer applicants (except for positions covered by the *Luevano* consent decree, which are still subject to competitive hiring procedures); and
- flexibility regarding whether or not to convert interns, after two years of observing them on the job.

For more information, visit the Office of Personnel Management's website at www.opm.gov/careerintern as well as the September 2000 and September 2002 *Issues of Merit* newsletters, available on the STUDIES page of www.mspb.gov ♦

PMI Program Expanded, Renamed

Effective November 21, the Presidential Management Intern (PMI) Program was expanded and, to reflect that expansion, renamed as the Presidential Management Fellows Program. Instead of focusing exclusively on hiring recent recipients of master's and doctoral degrees at the GS-9 level, the Presidential Management Fellows Program will also allow more experienced individuals to be hired as Senior Presidential Management Fellows at higher grade levels.

More details about the Presidential Management Fellows Program will be forthcoming from the Office of Personnel Management. Additional background on the PMI Program is available in the 2001 MSPB report *Growing Leaders: The Presidential Management Intern Program*, as well as the September 2000 and December 2000 *Issues of Merit* newsletters, all available at the STUDIES page of www.mspb.gov ♦

Fast Facts about the Federal Career Intern Program*

How many Federal Career Interns have been hired?

FY 2001: 471

FY 2002: 3,383

FY 2003: 4,005

From what pools are Federal Career Interns drawn?

70% were new to the Federal Government.

At what grades are Federal Career Interns hired?

GS-5: 21%

GS-7: 42%

GS-9: 25%

Other: 12%

Who hires the most Federal Career Interns?

Agencies hiring the most Federal Career Interns include the Social Security Administration, the Department of the Army, and the Department of Homeland Security.

Into what series are Federal Career Interns hired?

Reflecting the agencies that hire them, Federal Career Interns are most likely to be: GS-1890, Customs Inspectors GS-105, Social Insurance Administrators GS-962, Contact Representatives

* Unless otherwise specified, data reflect hiring in the first three quarters of FY 2003.



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Why End the General Schedule? *How do pay and classification reform support the shift in management philosophy? Our Director shares his thoughts. (Page 2)*

Is the Grass Any Greener? *Public service human capital organizations across the border and around the globe struggle with many of the same challenges*



that we do in the U.S. Federal merit systems. We report on insights gleaned from visits with Canadian and Japanese officials. (Page 4)

Tools of the Trade: On-Target KSAs Make All the Difference. *Managers, what's one thing you can do to greatly increase your ability to find and hire top-notch talent? We argue that it's making sure your KSAs are on target. We'll fill you in and give you three guidelines to follow to help you find and hire the best. (Page 5)*



Making the Most of Title 5:

Staffing Flexibilities. *Use this chart to understand some of Title 5's staffing flexibilities. (Page 6)*



Hiring Entry-Level Talent Faster and More Efficiently. *Find out more about the Federal Career Intern Program. (Page 7)*

PMI Grows Up: Introducing the Presidential Management Fellows Program. *After years of suggesting improvements to the Presidential Management Intern (PMI) program, we're delighted to report on its expansion and renaming. (Page 7)*